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Bush, Miyazawa Emphasize Solid Alliance

The official purpose of Prime Minister Kiichi Miyazawa's July 1 discussions with President Bush may have been to coordinate their strategies for the July 6-8 summit in Munich of the seven major industrial democracies as well as to explore current issues in U.S.-Japan economic and political relations. Judging by the tone of their remarks, however, it would appear that Messrs. Bush and Miyazawa were as much concerned about fostering a spirit of goodwill as they were about realizing progress on substantive issues. Unlike the two leaders' January meeting in Tokyo, which, some analysts maintain, degenerated from a summit of "high politics" to a glorified round of trade negotiations (see *JEI Report* No. 2B, January 17, 1992), the Washington talks stayed firmly on the diplomatic high road, emphasizing the strength of the bilateral alliance and the importance of continued cooperation on a broad range of international political and economic issues.

In the trade area, for example, rather than dwelling on continued frictions concerning U.S. access to the Japanese markets for motor vehicles, automotive parts and semiconductors, both leaders focused on the progress the two countries have made in realizing some of the market-opening goals outlined six months ago in the Global Partnership Plan of Action. Mr. Bush cited as reasons for optimism recent agreements to provide greater U.S. access to Japan's public-sector computer market and its paper and paperboard market (see *JEI Report* No. 3B, January 24, 1992). Accompanying the president at a Rose Garden press briefing, Mr. Miyazawa said that Japan remains committed to following up these accords.

ceiling of 1,800 hours implemented on a timetable to be worked out with Rengo (Japan Trade Union Confederation). Canon Inc. announced that its workers would be given a 16-day summer vacation beginning August 1. Nikkeiren (Japan Federation of Employers' Associations) reported that the average summer break among 183 companies surveyed is 7.5 days; since firms offering a nine-day vacation are most numerous, however, the corollary indicates that some firms are allowing very little vacation time. If working-hour concessions promised in this year's *shunto* are factored in, the average wage hike approaches 6 percent, according to a Nikkeiren spokesman.

A ceiling of 1,800 hours on the job a year since about 1987 has been a goal cited by the Ministry of Labor. The Employment Council, a ministry advisory body, recently submitted a new five-year employment policy plan that calls for a universal 40-hour workweek by the end of FY 1996. The council also recommended that the ministry raise overtime rates by an unspecified amount from the current 25 percent premium over regular wages. Tackling overtime from another angle, the Labor Ministry is moving to cut the current statutory limit of 450 overtime hours a year and is urging employers to keep annual overtime to a maximum of 360 hours. The National Personnel Authority implemented a 40-hour workweek for all central government workers in May. It also is trying to set a further example by experimenting with innovations that could improve the quality of workers' lives in other ways than a reduction of working hours. Beginning in April 1993, for example, the agency hopes to introduce flextime for 9,700 government researchers. If the change proves popular without causing disruptions, the agency may extend the policy to other government workers.

Japanese policymakers increasingly are aware that labor policy reforms are necessary to address new national goals (see *JEI Report* No. 25A, July 3, 1992). Besides directly influencing the quality of workers' lives, labor policies that give greater emphasis to time *off* the job may help boost consumer spending and so support domestic economic growth as well as raise demand for imports.

Jon Choy

Japan, United States Angle For Spot As World's Top Aid Donor

Depending on the criteria used for determining what can be considered development assistance, the United States and Japan vied with each other for the 1991 title of largest donor of foreign aid among the 20 industrialized nations that make up the Development Assistance Committee of the Paris-based Organization for Economic Cooperation and Development. Debate over whether certain types of debt forgiveness should be included in DAC members' accounts of aid disbursements clouded efforts for the second year to compare economic assistance programs (see *JEI Report* No. 38B, October 11, 1992).

DAC's Statistical Reporting Directives allow members under certain conditions to report as official development assistance the forgiveness of some non-ODA debt. Last fall DAC agreed to review the general issue of what to record as debt forgiveness after being questioned about the inclusion in members' economic assistance records of write-offs for military debt and export credits. In its June 30 ranking of ODA donors the OECD acknowledged assertions that the two types of debt forgiveness should be treated equally because the economic effects and development motivation of forgiving military debt and export credits are the same. But the organization reported that the committee had accepted a "differentiated approach" to the issue "in deference to concerns expressed over possible public opinion impacts."

DAC members concurred that in the future military debt forgiveness will be recorded but will not be included in their accounts of foreign aid disbursements; export credit cancellations will be recorded as ODA in line with current DAC statistical directives. In tallying their 1991 and 1992 ODA disbursements members will continue to follow the preliminary agreement reached last year. Under that arrangement the OECD included the non-ODA debt forgiveness reported by some members in their individual records but excluded the amounts from the DAC total. To come up with a clearer

definition of foreign aid DAC members agreed to conduct a general review by mid-1994 that will include a study of current reporting practices.

This country's number-one ranking among DAC donors in 1990 was solid despite the question of whether Washington should be able to report as foreign aid $1.2 billion of military debt forgiveness for Egypt. In 1991 America's net disbursements of $11.5 billion, which included $1.85 billion in military debt cancellation for Egypt, placed it in the position of the world's top aid donor (see Table 1). Yet, excluding this debt relief from Washington's 1991 economic assistance accounts would have lowered U.S. aid disbursements to $9.65 billion, bumping this country to the number-two position behind Japan, which reported disbursements of nearly $11 billion last year. (Japan's total included $7 million of export credit forgiveness.)

Table 1: **ODA of Major Donor Countries, 1987-91**

(in millions of dollars; net disbursements)

1991 Rank	Country	1987	1988	1989	1990	1991[1]	Share of Total DAC ODA 1991[1]
1	United States	$8,945	$10,141	$7,676	$11,394	$11,496	19.7%
2	Japan	7,342	9,134	8,965	9,069	10,951	18.8
3	Germany	4,391	4,731	4,948	6,320	6,769	11.6
4	France[2]	4,489	4,777	5,162	6,579	6,663	11.4
5	United Kingdom	1,871	2,645	2,598	2,638	3,248	5.6
6	Italy	2,615	3,193	3,613	3,395	2,865	4.9
7	Canada	1,885	2,347	2,320	2,470	2,578	4.4
DAC Total[3]		41,426	48,132	46,723	55,146	58,247	100.0

[1]Preliminary.
[2]Excluding overseas departments and territories.
[3]The 1991 total includes France's overseas departments and territories but excludes disputed amounts.

Source: Organization for Economic Cooperation and Development

Japan's 1991 net disbursements of nearly $11 billion reflected a 20.8 percent increase from the year-earlier level. In yen terms the gain worked out to a 12.2 percent rise. With adjustments for price changes and the yen-dollar exchange rate, Japan's total foreign aid grew 10.1 percent in real terms last year. All of this increase was attributable to a 19 percent rise in bilateral disbursements; multilateral net disbursements fell compared to the previous year due to the timing of Japan's contributions to multilateral organizations, the OECD reported. Bilateral grant assistance grew by less than 1 percent in 1991, while loans expanded 32 percent in real terms. Earlier in June Tokyo had attributed the significant increase in lending largely to the emergency loans extended to countries on the front line of Iraqi action during the 1990-91 Persian Gulf War.

In recognition of this growth in real net disbursements the OECD's foreign aid report highlighted Japan as the main force behind DAC's expanded economic assistance in 1991. Most DAC members increased their foreign aid in real terms, the OECD reported, citing steady growth in the volume of aid extended by DAC nations over the past five years. DAC members' overall net disbursements to developing countries and multilateral institutions totaled $58.2 billion in 1991, up 5.6 percent in nominal terms and 2.1 percent in real terms.

Table 2: **ODA as Percentage of GNP for DAC Countries, 1987-91**

(in millions of dollars; net disbursements)

1991 Rank		1987 Amount	1987 Percent of GNP	1988 Amount	1988 Percent of GNP	1989 Amount	1989 Percent of GNP	1990 Amount	1990 Percent of GNP	1991[1] Amount	1991[1] Percent of GNP	Percent Change 1990-91[1]
1	Norway	$890	1.09%	$985	1.13%	$917	1.05%	$1,205	1.17%	$1,178	1.14%	-2.3%
2	Denmark	859	0.88	922	0.89	937	0.93	1,171	0.94	1,204	0.96	2.8
3	Sweden	1,375	0.88	1,534	0.86	1,799	0.96	2,007	0.91	2,126	0.92	5.9
4	Netherlands	2,094	0.98	2,231	0.98	2,094	0.94	2,538	0.92	2,517	0.88	-0.8
5	Finland	433	0.49	608	0.59	706	0.63	846	0.63	930	0.76	9.9
6	France[2]	4,489	0.51	4,777	0.50	5,162	0.54	6,579	0.55	6,663	0.56	1.3
7	Canada	1,885	0.47	2,347	0.50	2,320	0.44	2,470	0.44	2,578	0.45	4.4
8	Belgium	687	0.48	618	0.39	703	0.46	889	0.46	820	0.41	-7.8
9	Germany	4,391	0.39	4,731	0.39	4,948	0.41	6,320	0.42	6,769	0.40	7.1
10	Australia	627	0.34	1,101	0.46	1,020	0.38	955	0.34	1,055	0.38	10.5
11	Austria	201	0.17	301	0.24	282	0.23	394	0.25	546	0.34	38.7
12	Japan	7,342	0.31	9,134	0.32	8,965	0.31	9,069	0.31	10,951	0.32	20.8
13	Switzerland	547	0.31	617	0.32	558	0.30	750	0.32	767	0.32	2.3
14	United Kingdom	1,871	0.28	2,645	0.32	2,598	0.31	2,638	0.27	3,248	0.32	23.1
15	Portugal[3]	--	--	--	--	--	0.24	148	0.25	190	0.28	28.3
16	Italy	2,615	0.35	3,193	0.39	3,613	0.42	3,395	0.31	2,865	0.25	-15.6
17	New Zealand	87	0.26	104	0.27	87	0.22	95	0.23	93	0.23	-2.0
18	Spain[3]	--	--	--	--	--	0.14	959	0.20	1,177	0.23	22.7
19	United States	8,945	0.20	10,141	0.21	7,676	0.15	11,394	0.21	11,496	0.20	0.9
20	Ireland	51	0.19	57	0.20	49	0.17	57	0.16	73	0.19	27.3
DAC Total[4]		41,426	0.34	48,132	0.36	46,723	0.34	55,146	0.34	58,247	0.34	5.6

[1]Preliminary.
[2]Excluding overseas departments and territories.
[3]Portugal and Spain joined DAC in December 1991.
[4]The 1991 total includes France's overseas departments and territories but excludes disputed amounts.

Source: Organization for Economic Cooperation and Development

Yet the latest OECD figures show that ODA as a percentage of DAC members' combined gross national product did not improve from 1990's level of 0.34 percent (see Table 2). Norway, Denmark, Sweden and the Netherlands again achieved the highest ODA/GNP ratios. Japan's ODA/GNP figure increased 0.01 percentage point to 0.32 percent. On this basis Japan tied for 12th place with Switzerland and the United Kingdom. U.S. aid as a share of GNP narrowed slightly from 0.21 percent to 0.20 percent, keeping this country in the second-to-last place on the ODA/GNP scale.

The same day that the OECD outlined DAC members' aid performance in 1991 the Japanese cabinet approved an initiative intended to increase understanding of official development assistance in Japan and abroad and to improve implementation of Tokyo's program. Submitted by the Ministry of Foreign Affairs, the charter outlines the philosophy, principles and priorities underlying Japan's foreign aid program.

In describing the basic philosophy of Japan's economic assistance program the document reaffirms certain elements previously emphasized in that country's approach to foreign aid, including the need to recognize interdependence among nations and the importance of bolstering self-sufficiency in developing countries. The charter states that, among other factors to be taken into account, Japan's official development assistance will be provided in accordance with four principles. In part the principles incorporate guidelines announced a year ago (see *JEI Report* No. 16B, April 26, 1991); these called on the government to consider both the military and the political policies of a recipient country before providing aid. Reiterating the earlier guidelines, the charter states that "full attention" should be paid to a recipient nation's efforts to promote democratization and to introduce a market-oriented economy as well as to conform to accepted human rights policies. Similarly reinforcing the previous guidelines is the principle that full attention will be paid to "trends in recipient countries' military expenditures, their development and production of mass destruction weapons and missiles," and their arms trade. A third principle further emphasizes: "Any use of ODA for military purposes or for aggravation of international conflicts should be avoided." A fourth principle notes, "Environmental conservation and development should be pursued in tandem."

The charter follows former aid policies in assigning priorities to Asian countries and to helping to improve infrastructure, "which is a prerequisite to socioeconomic development." The charter further notes that Japan will provide assistance for basic human needs and will place an emphasis on bolstering human resource development. The document also outlines steps Tokyo intends to take to ensure more effective implementation of its economic assistance program and greater public understanding of, as well as participation in, aid efforts.

The new ODA charter is based on suggestions made by a subcouncil of the latest administrative reform council, an ongoing effort to streamline Japanese government operations (see *JEI Report* No. 45A, December 6, 1991, and No. 3A, January 24, 1992). The group examining "Japan and the World" last year recommended the drafting of a document that sets out Japan's fundamental ODA policy as a way of increasing support for and understanding of the country's economic assistance efforts. Some Japanese officials characterize the ODA charter as the key recommendation to emerge from the subcouncil, which was assigned to examine the overall conduct of Japan's foreign policy. While some observers may call for further restructuring of Japan's foreign aid program, certain sectors of the Japanese public seem likely to welcome the new ODA document. Keidanren (Japan Federation of Economic Organizations), for one, roughly two years ago proposed an ODA charter "to state clearly the Japanese government's basic position, ideas, objectives, and future goals" concerning foreign aid. Critics of Japan's aid program long have contended that Tokyo needed to clarify the philosophy behind its expanding economic assistance efforts. The new charter may hold some of these criticisms at bay.

Margo Grimm